

K2 Global High Alpha Fund

31 January 2019



	1 Month	3 Months	1 Year	3 Years (%pa)	5 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	-3.3%	-6.9%	-12.0%	1.7%	6.4%	14.9%	1-Dec-2009
Average Net Exposure	24.6%	34.6%	70.8%	77.1%	81.5%	81.7%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Pioneer Credit Ltd	3.8%	+0.5%
Metlifecare Ltd	3.5%	+0.0%
Cedar Woods Properties Ltd	3.3%	+0.1%
Elanor Investor Group	2.9%	+0.0%
Axesstoday Ltd	1.7%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	1.6%	+0.8%
Consumer	7.8%	+1.5%
Energy	1.0%	+0.3%
Financials	13.0%	+2.1%
Health Care	6.9%	-0.7%
Industrials	3.6%	+2.2%
Information Technology	3.7%	+0.4%
Materials	0.7%	+0.7%
Real Estate	5.4%	+1.7%
SHORTS	-9.7%	+2.7%
Number of Positions	57	+5
Gross Equity Exposure	53.3%	+6.3%
Cash Weighting	66.0%	-11.6%
Net Equity Exposure	34.0%	+11.6%
Currency Exposure Hedged of AUD	-0.4%	-1.9%

Commentary

The K2 Global High Alpha Fund returned -3.3% for the month of January while global equity markets returned 4.2%.

International equities bounced back from December's heavy losses with the S&P 500 delivering its best January performance since 1987. Sharp gains were driven by a significant change in policy guidance from the US Federal Reserve, which saw them swing from "hawkish" to "dovish" on further interest rate rises. Conciliatory talks on trade between US and China also buoyed investor sentiment throughout the month. Slowing global economic growth and corporate earnings are forcing governments and central bankers to consider additional stimulatory policies. We see significant uncertainty and volatility persisting and therefore continue to remain defensively positioned.

Positive contributors to Fund performance included Hong Kong listed Lonking Holdings, which benefited from favourable Chinese domestic policy aimed at accelerating infrastructure investment. Guangzhou Automobile Group, also listed in Hong Kong, was aided by stimulus measures announced for the Chinese Auto makers. The company, which trades on a PE of less than 5X and a dividend yield of 5.8%, is well positioned to further re-rate. The largest detractor, outside of currency, was collectively the Fund's short positions and a number of these positions were exited during the month. These positions added 84 basis points in December, but this reversed almost entirely in January.

The Fund remains fully unhedged to the AUD. Strong gains made in December were reversed in January as the AUD rallied 3.3% against the USD, with investors starting to price in no additional US interest rate rises in 2019. Our unhedged currency position detracted -294 basis points, representing the major driver of January's negative performance. Reflecting our cautious outlook, net exposure currently stands at 34% after having increased from 22% at the end of December, driven by an increase in HK, China and US equities and a reduction in short positions.

Fund Characteristics

FUM	AUD \$30m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen, Nicholas Leitl, James Soutter and Tony Sutton
Strategy	International Equities
Objectives	To deliver consistent absolute returns over the investment cycle with a focus on capital protection during periods of market declines
Return Target	+10% pa over the long term
Number of Stocks	Up to 120
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	2.05%
Buy/Sell	Monthly Application/Redemption
Performance Fee	20.5% of the amount by which the NAV per unit exceeds the High Water Mark

Nicholas Allen
Head of Distribution
03 9691 6119
nallen@k2am.com.au

Sophie Gibbons
Head of Distribution
03 9691 6117
sgibbons@k2am.com.au

DISCLAIMER: Returns are shown after fees (including performance fees) and expenses have been deducted and assume the reinvestment of income distributions. Please note that past performance is not a reliable indicator of future performance. The information contained in this document is produced by K2 Asset Management Ltd ("K2") in good faith, but does not constitute any representation or offer by K2. It is subject to change without notice, and is intended as general information only and is not complete or definitive. K2 does not accept any responsibility, and disclaims any liability whatsoever for loss caused to any party by reliance on the information in this document. A product disclosure statement or information memorandum for general information on any Fund referred to in this document can be obtained at www.k2am.com.au or by contacting K2. You should read the product disclosure statement and consider whether the product is appropriate for you before making a decision to acquire or continue to hold an interest in a Fund. Fees referred to in this document are inclusive of GST and RITC and do not include expense recoveries.